

ENFORCEMENT OF TRADE AGREEMENTS

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Mr. Chairman, Senator Moynihan, and Members of the Committee, thank you very much for inviting us to testify at this hearing today on full implementation and enforcement of trade agreements.

Our trade policy is based upon the principle of fair and open trade. We pursue this principle in the multilateral trading system; in our regional, bilateral and sectoral talks; in our response to the Asian financial crisis and the sudden increase in steel imports it has created; and in ensuring full implementation of the agreements we reach.

Ambassador Barshefsky has made implementation a top priority in her service as U.S. Trade Representative. Full implementation of trade agreements is critical to securing their full benefits, to maintaining public confidence in an open trading system, and therefore to the success of trade policy generally. To ensure that agreements yield the benefits bargained for, we have developed an ongoing strategy of active use of the dispute settlement provisions of our trade agreements, vigorous monitoring and enforcement of trade agreements, strategic application of U.S. trade laws, and continued engagement in multilateral, regional, bilateral and sectoral negotiations. I am very pleased to be here today to discuss our work with the Committee.

ROLE OF TRADE IN THE US ECONOMY

Let me begin, however, with some broader context.

Today, the United States has the most dynamic, creative and competitive economy in the world, and is ideally placed to succeed in the next century.

Since 1992, we have had uninterrupted growth -- our economy has expanded from \$7.1 trillion to \$8.5 trillion in real terms (1998 dollars) and last month, the present economic expansion became America's longest in history.

We have created jobs. Employment in America has risen from 109.5 to 127.2 million jobs, a net gain of nearly 18 million, as unemployment rates fell from 7.4% to 4.3%.

And we have raised wages. Since 1992, average wages have reversed a twenty-year decline and have grown by 6.0% in real terms, to \$449 a week on average. This family prosperity is reflected, for example, in record rates of home ownership.

Altogether, we have achieved an historic combination of high growth, low unemployment, low inflation, low interest rates and rising wages. There are, of course, many reasons for this,

including improved support for education and job training and an uninterrupted reduction in the federal deficit beginning in 1993 and culminating with the budget surpluses of the past two years.

But trade and participation in the world economy have played an irreplaceable role. Last year we exported \$932 billion in goods and services -- a 51% increase from the 1992 level of \$617 billion, despite a slowing in export growth due to the Asian financial crisis.

THE NEGOTIATING RECORD

This export growth has been facilitated by our negotiating accomplishments.

Since President Clinton took office in 1993, we have concluded 270 separate trade agreements which have helped open markets, address topics of increasing complexity, and create opportunity for Americans. These agreements include five of truly historic importance:

- the Uruguay Round Agreements, which created the World Trade Organization with a binding dispute settlement mechanism and extended international trade rules to new areas through agreements on agriculture, services and intellectual property; and offers a forum for continuing negotiations and liberalization;
- three multilateral agreements on information technology, financial services and basic telecommunications -- sectors at the heart of the 21st century economy; and
- the North American Free Trade Agreement, which cemented our strategic trade relationship with our immediate neighbors and provides a basis for more progress.

MAKING AGREEMENTS WORK

The scope and depth of our network of agreements has thus grown considerably. And we recognize and share the high value Congress places on ensuring the full implementation of these agreements.

Consequently, we devote more attention and resources to ensuring that these agreements yield the maximum possible advantage in terms of ensuring market access for Americans, advancing the rule of law internationally, and creating a fair, open and predictable world marketplace. And we consult regularly with Congress on our enforcement strategy and specific goals. In the broad sense, as Ambassador Barshefsky stated in her testimony of January 26th, ensuring full implementation of agreements is one of USTR's strategic priorities. We seek to achieve this goal through a variety of means, including:

- We assert U.S. rights through the mechanisms in the World Trade Organization, including the stronger dispute settlement mechanism created in the Uruguay Round, and the WTO Committees and Bodies charged with monitoring implementation and surveillance of agreements and disciplines.
- We vigorously monitor and enforce our bilateral agreements.

- We invoke U.S. trade laws in conjunction with bilateral and WTO mechanisms to promote compliance.
- We provide technical assistance to trade partners, especially in developing countries, to ensure that key Agreements like the Agreement on Basic Telecommunications and TRIPs are implemented on schedule.
- Through NAFTA's trilateral work program, tariff acceleration, and use or threat of NAFTA's dispute settlement mechanism, we seek to promote America's interests under the Agreement, as well as using its labor and environmental side agreements to promote fairness for workers and effective environmental protection.

To carry out this work as effectively as possible, with the help of the Finance Committee we have added new personnel to carry out a larger enforcement workload, without compromising our efforts to negotiate further market access in key markets. Specifically, we have created an Enforcement unit headed by an Assistant U.S. Trade Representative, and Congress last year provided us with funds to hire seven new attorneys to handle the added volume of work at the WTO and elsewhere. We also work closely with the Commerce Department, the Customs Service, the Department of Agriculture, the State Department, the Department of Labor, the Treasury Department and other agencies involved in enforcement of trade laws and agreements.

I. WORLD TRADE ORGANIZATION

The WTO is now a full-fledged international institution, and we are working hard to ensure that it reaches its full potential to benefit the U.S. economy, support world prosperity, and advance the rule of law. Full implementation of WTO commitments is fundamental to ensure all of these benefits, and to confidence in the WTO at home and abroad. Implementation is therefore a critical part of our work at the WTO, and includes invocation of dispute settlement, full and extensive participation in the Committees, Councils and Bodies to oversee the effective operation of the Agreements, and providing technical assistance where needed.

1. Dispute Settlement

One of our primary venues for enforcing agreements and asserting U.S. rights is the WTO's dispute settlement mechanism. To ensure that the United States secures the full benefits of the WTO Agreements, we insisted on a strong, binding and expeditious dispute settlement system for the WTO. With the advice and support of Congress, we have developed a WTO dispute settlement system that provides certainty for American businesses and workers that their disputes will be heard by a panel of impartial experts, and that the defendant will not be able unilaterally to derail the process. In short, under the WTO we have better enforcement of U.S. rights and more certainty that a deal will stick.

The WTO dispute settlement system has proven valuable in achieving tangible gains for American companies and workers, and also as a deterrent -- our trading partners know it is ready and available to us if they do not fulfill their obligations. We have been successful in reaching

rapid resolution of our complaints through early settlement, and have also achieved substantial benefits from full litigation and resulting panel decisions which enforce our rights.

Since the WTO's creation in 1995 we have filed more complaints – 43 to date – than any other WTO member. At present, we have 29 active cases, including 20 as plaintiff and 9 as defendant, and are involved as a third party in a number of other cases. Our overall record of success is very strong. We have prevailed on 19 of the 21 American complaints acted upon so far, either by successful settlement or panel victory. These favorable rulings and settlements have involved an array of sectors within manufacturing, agriculture, services, and intellectual property.

Only yesterday the WTO Appellate Body upheld our panel victory against Japan in a case involving Japan's "varietal testing" requirements for U.S. apples and other fruit. This should eventually result in increased exports of more than \$50 million a year of these products. Just as importantly, the case establishes a valuable precedent that will be useful in future challenges against thinly veiled protectionist measures directed at our agricultural exports. In addition, our pursuit of the varietal testing case has already had a valuable deterrent effect. We understand that one country that was considering the adoption of testing requirements like Japan's decided to abandon those plans after we brought our case. The case illustrates the benefits we are already realizing from the new Uruguay Round Agreement on the Application of Sanitary and Phytosanitary Measures.

A few other examples of successes thus far include:

- Removal of barriers to pork and poultry products in the Philippines;
- Elimination of provisions of Indonesia's "national car program" that involved WTO-inconsistent subsidies and violations of national treatment;
- Removal of unfair barriers to liquor in Japan and Korea;
- Protection of intellectual property rights in Sweden;
- Full protection of copyright for sound recordings in Japan; and
- Elimination of Korea's unfair shelf-life standards on agricultural products.

Each of these cases, and our other dispute settlement victories, provide concrete economic benefits to the United States. And in each case, we have insisted that our partners act rapidly to address the problems. This will remain the case in all our disputes; and in most cases our partners have taken their responsibilities seriously.

This being the case, we find unacceptable the failure of the European Union to implement the WTO panel and Appellate Body rulings on bananas, and we expect the EU to meet its compliance deadline on beef hormones in May. As to both of these matters, we will continue to insist on full compliance, and as our actions on the banana case have shown, we will exercise our full rights to secure it.

Our experience here has also shown that, while by and large the panel system works well, it can still more effectively ensure compliance with panel and Appellate Body reports. We are working on this issue now in the ongoing review of the WTO Dispute Settlement Understanding. (When the WTO was created, Ministers agreed to review the dispute settlement rules after they had been in force for four years, and we have agreed to review those rules by July of this year to enable us to decide what modifications we may need.) In that review, we are seeking improvements with respect to compliance, which the banana case shows is an area where the rules need clarification, to ensure that one violation of WTO obligations is not simply replaced with another. We are also seeking greater transparency of the dispute settlement process. In the interim, we will continue to press our dispute settlement rights vigorously.

2. WTO Councils, Committees and Subsidiary Bodies

One of our priorities in the Uruguay Round was to ensure that the WTO would be a forum for ongoing liberalization, implementation and consultation. Strict attention to implementation of agreements by the Committees and Bodies that report to the WTO General Council has helped ensure the realization of this goal.

These Committees are charged with reviewing implementation and regulation of each WTO agreement. They thus often provide us with our first opportunity to raise concerns about implementation without having to begin the process of dispute settlement, and offer a chance to ensure compliance before resorting to dispute settlement. We have done this, for example, in the case of the Agriculture Agreement, the Agreement on the Application of Sanitary and Phytosanitary Measures, and the Agreement on Trade-Related Investment Measures.

To take a specific case, in agriculture WTO members are required to notify the Committee on Agriculture on compliance with their commitments on market access, export subsidies, and domestic support. In Committee meetings, we question other Members on their notifications and operations of programs and policies, making their policies more transparent and helping us ascertain compliance with commitments, solve potential problems early, and identify areas in which we can improve the system. And in conjunction with these meetings, countries present formal papers in an Analysis and Information Exchange process, which allows us to raise issues and exchange informal opinions on interpretation of the Agriculture Agreement. In response to these papers and discussions, the Secretariat has prepared papers to elucidate implementation and compliance issues, such as tariff-rate quota administration and export subsidies.

Work in the Committee on Agriculture and through the dispute settlement process has identified areas for improvement, including establishing disciplines on tariff-rate quota (TRQ) administration, bringing greater certainty and transparency to complex (and perhaps discriminatory) tariff regimes, and tightening rules to prevent circumvention of export subsidy commitments. In the new WTO agriculture negotiations that will be launched at the Seattle Ministerial late this year, we will seek both to strengthen the rules in this important area and to clarify what constitutes compliance under the rules.

These bodies also give us a chance to ensure full implementation of commitments on schedule, which is especially important since most of the Agreements negotiated in the Uruguay

Round that contain transition periods or phase-in provisions are to be fully implemented by the end of this year. Several examples include:

- Intellectual Property -- WTO developing country members are required to implement most of their WTO IPR commitments by the end of this year. We are monitoring this closely and are prepared both to assist countries in developing laws and enforcement mechanisms at their request, and to file dispute cases in the event members fail to meet their obligations.
- Customs Valuation -- More than 50 countries are required to fully implement the obligations of the Agreement on Customs Valuation – a critical obligation in realizing market access. Full and effective implementation with this Agreement will head off disputes in the future.
- Textiles – The WTO’s textile agreement has a longer phase-in period, but we are also vigilant in ensuring enforcement of textile quotas and implementation of textile market access requirements overseas. A number of our trading partners clearly have further work to do in market access, including some of our largest and fastest growing textile suppliers. Preventing circumvention is a high priority as well. Last year, we reached an important new agreement with Hong Kong on measures to improve information-sharing and strengthen cooperation to prevent circumvention, and we are working with Macao, China and others on similar initiatives.

In still other areas, we have used our participation in WTO committees to complement and buttress the enforcement of U.S. unfair trade laws in an integrated approach to further U.S. commercial objectives. For example, in the WTO Subsidies Committee, we have pressed for increased transparency by our trading partners in their notification of subsidies to the WTO, and we have used the notification review process to push others to modify or eliminate those subsidy practices which appear to violate WTO rules and/or are most prejudicial to U.S. interests. In the Antidumping Committee, we have gone to bat for U.S. exporters across a wide spectrum of manufacturing and agricultural sectors when we have uncovered evidence that antidumping actions brought by foreign governments may not measure up to the due process and participation rights or other obligations guaranteed by the WTO Agreement. Some of these efforts have led to the initiation of dispute settlement complaints on behalf of U.S. industries.

As we have affirmed in many other settings, the Clinton Administration is strongly committed to the full enforcement of U.S. unfair trade laws to ensure that U.S. industries do not have to compete against injurious foreign pricing and unfair subsidy practices in the U.S. market. The assurance of fair trade is integral to the bargain of keeping and pursuing open markets, and USTR works closely with the Commerce Department to defend the consistency of U.S. law and practice whenever it is challenged in the WTO. By the same token, however, that bargain also requires that other countries play by the same rules when they take antidumping or countervailing duty actions which affect U.S. exporters. The steps we have taken, with critical help from the Commerce Department, to advance and protect U.S. interests in foreign markets ensure that U.S. policy with respect to unfair trade practices is comprehensive, vigorous and balanced so as to provide the maximum benefit for our companies and workers.

3. Ensuring Effective Implementation Through Technical Assistance

Finally, in some cases technical assistance can help ensure full and timely implementation of agreements. One example is the TRIPs agreement on intellectual property. In part because of encouragement from the United States, the WTO and the World Intellectual Property Organization announced last year that they would begin a major training and technical assistance program to help less developed countries comply. Certain U.S. government agencies and the private sector continue to provide significant technical assistance as well.

A second example is the Agreement on Basic Telecommunications concluded in 1997. Under this agreement, fifty-five countries representing 90 percent of the world market have bound themselves to enforceable regulatory principles based upon the framework for competition that our Congress enacted in the Telecommunications Act of 1996. To ensure full implementation, the United States, the International Telecommunications Union (ITU) and many WTO Members' telecommunications agencies are responding to countries' increasing requests for assistance in regulatory reform efforts. The need for technical assistance appears widely and deeply felt, in the developing and also the industrialized world, regarding, e.g., the establishment of an independent regulator; the setting of cost-oriented, non-discriminatory interconnection prices; the prevention of anti-competitive practices; and the establishment of transparent government regulations.

Technical assistance efforts by the United States have included regulatory reform seminars hosted in Washington and abroad for Latin American, European, African and Asian regulators; in-country visits by regulatory and policy experts; and private consulting projects sponsored by AID. The success of these efforts, so far, has been demonstrated by continued growth in interest among our trade partners in every region for further information and assistance in these areas; and the support U.S. industry has expressed for these activities.

While the WTO is not a technical assistance agency and need not become one, it is clear, especially given the complexity of the agreements, that implementation of existing agreements must be facilitated by technical cooperation by international organizations. One area we have highlighted for further consideration in terms of institutional reform of the WTO is the increasing demand for assistance as new and complex agreements are negotiated.

II. BILATERAL AGREEMENTS

The second principal area I will address is enforcement of bilateral agreements with key trading partners. This involves vigorous oversight and monitoring, WTO procedures when these help us address bilateral issues, and U.S. trade laws.

1. Japan

Since 1993 the United States has concluded 35 separate market-opening agreements with Japan – more than with any other trading partner. These cover fields from agriculture to insurance and high technology to manufacturing, and are important steps toward our goal of an open, deregulated and fair Japanese market. To achieve this goal, the agreements contain provisions to

promote deregulation, eliminate anti-competitive practices, increase transparency and curtail discriminatory practices. Full implementation of these agreements by Japan is one of the chief items on our trade agenda with Japan.

Several of these agreements have been highly successful. In the medical devices sector, U.S. suppliers hold over 41 percent of the Japanese public procurement market. As a result of our 1994 agreement on cellular phones, our companies captured over \$1 billion in contracts for second-generation digital systems. With respect to semiconductors, foreign market share now exceeds 30 percent, a significant increase from the 8.6 percent foreign share held when the first semiconductor agreement was concluded in 1986.

In other areas, we are less satisfied and have pressed Japan to implement fully both the letter and spirit of the agreements. We are working intensely on these areas, and hope to see substantial progress on these issues as Prime Minister Obuchi's spring visit approaches. Ambassador Fisher pressed the Japanese government on insurance, flat glass, auto/auto parts, computers, and other issues when he was in Tokyo in late January and will follow up next week when he returns to Japan.

Despite initial gains under the 1995 automotive agreement, for example, progress has virtually stalled with respect to both improved access for vehicles and further deregulation of auto parts. We have recently submitted proposals to Japan to generate further progress under the agreement. An interagency team is in Tokyo this week discussing these proposals in detail.

We have achieved some progress under the 1995 Flat Glass agreement, particularly with respect to issues relating to standards for insulated glass and model construction projects using foreign glass. However, the key objective of the agreement, penetration of Japan's closed distribution system, has not been achieved. U.S. industry market share in Japan's \$4.5 billion glass market is less than three percent, versus approximately 10 to 30 percent in other countries' markets. Moreover, we have lately observed that Japanese glass manufacturers have taken advantage of weakness in the financial structure of glass distributors to further their hold on the domestic glass market. We have urged our Japanese counterparts in the strongest terms to achieve concrete progress on this issue, particularly prior to the President's meeting with Prime Minister Obuchi this spring. A team of U.S. experts met with these Japanese counterparts last week to discuss in detail specific suggestions for improving access to this important market, and Ambassador Fisher will follow up on these proposals when he meets with the MITI Vice Minister next week in Tokyo.

Finally, we have serious concerns about implementation of our bilateral insurance agreement. Japan has not taken the necessary steps to substantially deregulate its primary insurance sector which comprises 95 percent of Japan's \$335 billion insurance market. We also have concerns with respect to Japan's implementation of the third sector provisions of the agreement. We have stressed our concern on this issue and expect Japan to get back to the table with us quickly to resolve these outstanding issues.

2. China

In China, we are enforcing agreements on intellectual property, a Memorandum of Understanding on Market Access negotiated in 1992, and agreements on textiles. To secure

implementation, we have not hesitated to use our trade laws. Let me discuss two instances in particular, intellectual property rights and textiles.

Since our IPR Agreements were concluded in 1995 and 1996, the scale of copyright piracy has been significantly reduced. In 1994, American copyright firms reported losses of over \$2 billion from piracy of software, CDs and CD-ROMs, books, and audio and videocassettes in China. They faced further losses in third markets caused by exports from Chinese pirates. Our agreements in 1995 and 1996 committed China to pass and enforce copyright and patent laws and to shut down pirate operations. Follow-up work to ensure enforcement of these agreements has won significant results. China has closed over 64 CD and CD-ROM production lines, and destroyed their masters and molds; arrested more than 800 people for IPR piracy; seized more than fifteen million pirated CDs and CD-ROMs, including those illegally smuggled into China. Recently, a major U.S. software company won its first court case in China relating to end-user piracy of software. The Chinese court handed down stiff fines to two companies that illegally loaded software onto computer hard-drives.

Vigilance and sustained enforcement efforts are critical to addressing the many facets of the IPR problem in China, and U.S. IPR experts are monitoring, meeting and working with their counterparts on a continuing basis. The work is not at an end. Pirated CDs, CD-ROMs, and VCDs remain available in retail shops in China. Chinese Customs and local anti-piracy officials must be more vigilant in enforcement. Unauthorized use of software in Chinese government ministries is a problem. Ambassador Barshefsky, Secretary Daley and others have urged Chinese authorities to take effective measures to address this problem. We now understand that work is underway in China to address these concerns. Protection of well-known trademarks is inadequate in China, and trademark counterfeiting remains widespread. China is in the process of amending its copyright, trademark and patent laws. We will be working to ensure that China fully implements its obligations under TRIPs and our bilateral agreements. We are putting additional emphasis on trademark issues in our meetings.

With respect to textiles, we reached two agreements in 1994 and 1997 to fight illegal transshipments and secure market access for American firms. The 1994 agreement cut back textile quota growth rates, and the 1997 agreement further reduced the overall quota to respond to enforcement issues such as circumvention. Also in 1997, for the first time our bilateral agreement provides for market access for U.S. textiles and apparel into China's market. China has also agreed to ensure that non-tariff barriers do not impede the achievement of real and effective access for US textile and apparel exports into China's market. We continue to exercise our rights to ensure strict enforcement, including triple-charging against China's quotas.

III. U.S. TRADE LAWS

Let me now turn to our domestic trade laws for which USTR has enforcement responsibility. These laws -- including Section 301, "Special 301" for intellectual property and Section 1377, as well as Super 301 and Title VII, which we will re-authorize by Executive Order -- are of critical importance to ensure full implementation of both bilateral and multilateral agreements. They work in tandem with dispute settlement procedures, and also assist us in completing and enforcing

agreements with trading partners that are not WTO members or in areas not covered by WTO rules.

Section 301 is an effective tool for securing compliance through the WTO dispute settlement system. Section 301 and the new WTO rules are stronger in combination than either would be alone. That is because the WTO provides us, for the first time, the automatic right to suspend trade benefits if a trading partner fails to implement a WTO panel report. This means we can use the leverage inherent in Section 301 in those situations across the full range of products and sectors covered by the WTO without the risk of running afoul of our own trade commitments or drawing counter-retaliation.

Recently, Ambassador Barshefsky announced the Administration's decision to strengthen its ability to use Section 301 authority by announcing the renewal by Executive Order of much of the substance of Super 301 authority, which expired in 1997. This enables USTR to identify the most significant unfair trade practices facing U.S. exports and focus resources on eliminating those practices. At the same time, she announced renewal by Executive Order of the substance of Title VII, enabling USTR to address discriminatory government procurement practices more effectively.

An excellent example of the strategic use of our trade laws in conjunction with WTO dispute settlement and technical assistance is in the area of intellectual property. Through the Special 301 process, we systematically monitor implementation of U.S. rights under the WTO and bilateral intellectual property rights agreements. We have brought a number of WTO cases based on practices identified in this annual review, thereby reinforcing the message to our trading partners that we will aggressively enforce intellectual property obligations using all of the tools at our disposal.

Apart from identifying potential dispute settlement cases, Special 301 itself continues to be an effective tool for enforcing intellectual property obligations. Every year, USTR identifies countries that deny adequate and effective protection of U.S. copyrights, patents and trademarks, and opens bilateral negotiations to ensure passage and enforcement of strong intellectual property laws. Recent action under Special 301 has resulted in:

- Ensuring passage and enforcement of new copyright and trademark laws in Paraguay, culminating in the signature of a Memorandum of Understanding on intellectual property on November 17, 1998;
- Continued monitoring of China under Section 306 to ensure adherence to our intellectual property agreements;
- Dramatically improving intellectual property protection in Brazil;
- Strengthening Bulgaria's enforcement of laws against piracy of CDs and CD-ROMs. Previously, Bulgaria had been among the largest exporters of pirate products in Europe.

Most recently, Ambassador Barshefsky has announced a worldwide initiative to ensure full implementation of the WTO intellectual property commitments (all developing country members of the WTO are required to pass and enforce modern intellectual property laws by the end of this year), improve worldwide efforts to fight piracy of newly developed optical media technologies, and combat

end-user piracy of software.

IV. NORTH AMERICAN FREE TRADE AGREEMENT

Finally, let me address the North American Free Trade Agreement. This agreement governs the majority of our trade with our two largest export markets, and apart from the WTO is our only major trade agreement with a binding dispute settlement mechanism. On both counts, ensuring full implementation of this agreement is very important to us.

Since NAFTA entered into force on January 1, 1994, trade with Mexico and Canada has grown dramatically. Through December, 1998, our NAFTA exports are up 90%, compared with 47% growth for the entire world. Canada is our largest trading partner and Mexico surpassed Japan in September to become our second-largest trading partner. Our trade increases with Mexico have helped to offset the negative effect on our exports of the Asia Crisis, where U.S. exports dropped 14% last year.

The government-to-government dispute settlement provisions of the NAFTA are vitally important to ensure that we receive the full benefits to which our partners committed. To date, we have been able to address most NAFTA-related disputes through consultations, without resort to NAFTA arbitration panel procedures. Over the five-year history of the agreement, fewer than four matters per year have been referred to government-to-government consultations under NAFTA Chapter 20, and a total of only two matters have been submitted to Chapter 20 arbitration panels.

This infrequent use of panel procedures reflects the commitment of the three NAFTA governments to reach agreement on areas of dispute, and the strength of the NAFTA's institutions. These include working groups on each of NAFTA's substantive areas, frequent discussions among NAFTA coordinators, and meetings of the NAFTA Free Trade Commission at both the Deputy and Ministerial levels. When issues have been referred to NAFTA consultations, the consultations and subsequent meetings of the Free Trade Commission have been able to focus the issues and draw political-level attention where needed, often resulting in a settlement without resort to arbitration.

Furthermore, we have had significant success in advancing beyond the obligations on the books. For example, on two occasions, all three NAFTA members have agreed to implement tariff phase-outs ahead of schedule. Most recently, in 1998 we were able to eliminate tariffs on approximately \$1 billion worth of trade ahead of schedule. We are also using NAFTA's trilateral work program, which includes over 25 committees and working groups, to avoid disputes, improve oversight and find new areas of mutual benefit.

We do, however, have several important issues with Mexico and Canada that must be resolved. These include telecommunications and corn syrup in Mexico, and magazines in Canada. At the same time, we are working on a number of additional market access concerns outside the context of NAFTA. For example, we took an important step to win fairness in agricultural trade last December by concluding a market access package opening opportunities in Canada for American grain farmers, cattle ranchers and other agricultural producers.

CONCLUSION

In summary, Mr. Chairman, the last few years have witnessed both a large expansion of our network of bilateral and multilateral agreements, and a strategic effort to ensure full enforcement of these agreements. We have devoted more resources to enforcement as the need has grown, and have effectively used the authority Congress has given us to concentrate on the trading partners and sectors of most importance to the United States. And our work has paid off in rising exports and improving job opportunities in the United States, and the advance of the rule of law abroad.

This success, of course, has been the result of a strong working partnership between the Executive Branch and Congress. Your decision to call this hearing is a sign of the Committee's intention to continue this broad partnership and focus on enforcement of agreements in the future. We welcome that and thank you very much for the opportunity to participate.

Thank you, Mr. Chairman.